GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1747
ANSWERED ON:25.11.2016
Internal and External Loans
Ajmal Maulana Badruddin

Will the Minister of FINANCE be pleased to state:

(a) the details of the internal and external loans taken by the Government along with repayment made of the principal and interest thereto during each of the last three years and the current year;
(b) whether the Government has assessed the positive and negative effects of such loans/borrowings;
(c) if so, the details thereof; and
(d) the measures taken or proposed to be taken to expedite the payment of these loans?

Answer

(a): Amount of loans raised from domestic (through dated securities, Treasury Bills, Compensation and other bonds, Ways and Means advances and Small savings) and external sources during each of the last three years and Budget Estimates for the current year are as under:
(` Crore)

Source of Loans	2013-14	2014-15	2015-16	2016-17 (Budget Estimates)
Internal borrowings	39,69,550	41,84,662	42,80,896	48,71,876
Repayment	34,93,167	36,87,099	37,14,352	43,80,736
Net Internal borrowings	4,76,383	4,97,563	5,66,544	4,91,140
Interest Paid on borrowings (on outstanding and current year borrowings)	3,26,344	3,50,464	3,91,398	4,39,690
External borrowings	25,416	33,534	36,054	44,789
Repayment	18,124	20,601	23,305	25,695
Net External borrowings	7,292	12,933	12,749	19,094
Interest Paid on external borrowings (on outstanding and current year borrowings)	3,880	3,766	3,925	4,058

(b & C): Yes Sir, the Government is assessing the positive and negative effects of the borrowings. Debt of the Government in a specific year depends upon the shortfall/deficit of receipts over expenditure. Borrowing is a continuous process to bridge the Revenue and Fiscal deficit of the Government in a financial year. The borrowings may be on account of developmental schemes of the Government or for creation of capital assets. This is a general phenomenon followed even in the advanced economies. In order to minimize the negative impact of the market borrowings on the financial markets, Government raise higher proportion of budgeted borrowings in the first half of the financial year. India's Government Debt portfolio is characterized by favourable sustainability indicators and right profile. Share of short term debt is within safe limits and stabilized after some rise between 2005 to 2012. Most of the debt is fixed interest rates which minimizes volatility on the budget and reduce interest rate risk to the Government.
(d): Repayment of Debt is a scheduled payment and will be paid out on its maturity. Early repayment could only be done through buyback of the securities which is depending upon the availability of cash surplus in the system. Government is buying back its securities since 2013-14 in consultation with RBI.
The Central Government has been following a comprehensive strategy to moderate growth in public debt through a policy of fiscal rectitude inter alia, including recourse to lower cost borrowings, phased introduction of active consolidation of debt, emphasise on raising funds on concessional terms and from less expensive sources with longer maturities, monitoring short term debt and encouraging non-debt creating capital flows. The Central Government has also set up a Public Debt Management Cell in order to have a more prudent management of government debt.